

Message Text

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ACTION NEA-06

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FM AMCONSUL CASABLANCA

TO SECSTATE WASHDC PRIORITY 3075

INFO AMEMBASSY LONDON

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C O N F I D E N T I A L CASABLANCA 0882

E.O. 11652: GDS

TAGS: ENRG, EIND, MO

SUBJECT: MOROCCANIZATION OF FOREIGN OIL MARKETERS

SUMMARY: SECOND ROUND OF NEGOTIATIONS FOR SCHEDULED
DECEMBER 31 MOROCCANIZATION OF FOREIGN OIL MARKETING COM-
PANIES NOW COMPLETED. SNPP (GOM STATE OIL AGENCY) AND
COMPANIES STILL DEADLOCKED, WITH GAP AS WIDE AS AFTER FIRST
ROUND. THIRD AND CRITICAL ROUND DUE BY EARLY NOVEMBER AND
THERE IS REAL PROSPECT OF NON-NEGOTIABLE IMPASSE. IN THAT
EVENT, OPTIONS WOULD BE EITHER GOM BACKDOWN OR SOME FORM
OF FORCED TAKEOVER, WITH SERIOUS COSTS TO BOTH SIDES.
END SUMMARY.

1. SECOND ROUND OF NEGOTIATIONS BETWEEN SNPP AND FOREIGN
OIL MARKETING COMPANIES (FOR 50 PERCENT ACQUISITION OF
COMPANIES BY GOM ON DECEMBER 31) NOW COMPLETED WITH TWO
SIDES , IF ANYTHING , FARTHER APART THAN IN FIRST ROUND.
SNPP INSISTS IT STILL EXPECTS COMPLETE MOROCCEMIZATION
BY DECEMBER 31 BUT NEITHER SIDE SHOWS SIGNS OF THE MAJOR
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CONCESSIONS NECESSARY TO AGREEMENT. THREE BASIC ISSUES

ARE OUTSTANDING.

2. ON VALUATION OF COMPANIES FOR PURCHASE OF 50 PERCENT INTEREST BOTH SIDES HAVE IMPROVED THEIR OFFERS SLIGHTLY BUT WIDE GAP REMAINS (IN MILLION OF DIRHAMS, BOOK VALUE IN PARENTHESES):

COMPANY	COMPANY VALUATION	SNPP VALUATION
ESSO	46.8 (22)	16
TEXACO	21 (5.9)	2.4
MOBIL	48 (26.7)	16

NOTE THAT SNPP WOULD PAY ONLY 50 PERCENT OF VALUATION FOR IT'S SHARE; ALSO THAT COMPANIES CLAIM LIQUIDATION VALUE OF ASSETS FAR IN EXCESS OF BOOK VALUE.

3. ON REPATRIATION OF PROCEEDS OF SALE, SNPP HAS REFUSED ANY CONCESSION. OTHER THAN CONTRACTUAL RIGHTS OF REPATRIATION ALREADY EXISTING, COMPANIES HAVE BEEN OFFERED ROUGHLY SAME DEAL (PROCEEDS OF SALE BLOCKED FOR FOUR YEARS, THEN REPATRIATED OVER THREE YEAR PERIOD. COMPANIES DEMANDING IMMEDIATE REPATRIATION OF ALL PROCEEDS.

4. ON MANAGEMENT CONTROL, SNPP POSITION HAS NOTABLY HARDENED. THEY NOW INSISTING PRESIDENT OF BOARD MUST BE SNPP OFFICIAL, SNPP TO HAVE VOTING MAJORITY ON BOARD (EXCEPT CERTAIN RESERVED SUBJECTS SUCH AS NEW INVESTMENT) AND GENERAL MANAGER ALSO AN SNPP OFFICIAL (I.E. DAY TO DAY MANAGEMENT). COMPANIES VIEW THIS AS REDUCING THEM TO MINORITY, PORTFOLIO INVESTMENT WITH 50 PERCENT INTEREST ONLY RE DIVIDENDS. THEY INSIST ON COMPANY CONTROL OF DAY TO DAY MANAGEMENT AND VOTING EQUALITY ON BOARD.

5. BOTH SNPP AND COMPANY POSITION VARY SOMEWHAT IN EACH BILATERAL NEGOTIATION. ESSO FOR EXAMPLE, FOCUSED ON LIQUIDATION (WHICH SNPP FLATLY REFUSES) OR 100 PERCENT SALE, WHICH SNPP HAS SHOWN CAUTIOUS WILLINGNESS TO CONSIDER.
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SNPP SHOWING MORE INTEREST IN NEGOTIATING WITH AND KEEPING MOBIL (WHICH HAS MOROCCAN PRESIDENT/MANAGER AND IS LARGEST AMERICAN DISTRIBUTOR) THAN OTHER TWO. MOBIL LIKEWISE MORE FLEXIBLE AND TWO SIDES CLOSER ON ALL THREE ISSUES THAN IN CASE OF OTHER COMPANIES.

6. COMPANIES INSIST THEY WILL MAINTAIN COMMON FRONT (KEY NON-AMERICANS ARE SHELL AND TOTAL), NOT CONCEDE

CRITICAL POINTS, BECAUSE PRECEDENT WORLDWIDE MORE IMPORTANT THAN MONEY INVOLVED HERE. THEY ARE MEETING LONDON OCTOBER 14 TO CONSIDER ULTIMATE POSITION IN EVENT OF IMPASSE, AND LOCAL REPS PREDICT DECISION WILL BE TO ACCEPT IMPASSE AND LEAVE NEXT MOVE TO GOM UNLESS SNPP MAKES SUBSTANTIAL CONCESSIONS.

7. BEST GUESS IS SNPP WILL NOW HAVE TO GO BACK TO GOM (PROBABLY KING) FOR FURTHER, PERHAPS FINAL, GUIDANCE BEFORE THIRD ROUND, I.E. BY END OCTOBER. AMERICAN

COMPANY REPS THUS THINK THIRD ROUND CRUCIAL AND DEFINITIVE AS LOCKING BOTH SIDES INTO FINAL POSITIONS. (EMBASSY RABAT DISCUSSIONS WITH UK EMBASSY YIELD DIFFERENT UK ASSESSMENT THAT NEGOTIATIONS WILL NOT REACH CRITICAL STAGE TILL AFTER RPT AFTER THIRD ROUND.)

8. FROM CONFIDENTIAL TALKS WITH COMPANY REPS WE SURMISE THEY WOULD SETTLE FOR BOOK VALUE PLUS IMMEDIATE REPATRIATION (OR AN INCREASE OVER BOOK VALUE DEPENDING ON LENGTH OF DELAY IN REPATRIATION); RETENTION OF OPERATIONAL MANAGEMENT CONTROL; AND ACCEPT SNPP NOMINEE FOR PRESIDENT OF BOARD AND CONTROL OF BOARD, EXCEPT FOR SOME KEY AREAS WHERE COMPANIES WOULD INSIST ON VETO RIGHT. MOBIL CLOSEST TO THIS POSITION, ESSO TOUGHEST ON MANAGEMENT ISSUE, TEXACO LEAST LIKELY TO TAKE BOOK VALUE AS BEING TOO FAR BELOW ACTUAL VALUE.

9. SNPP AIMS AND STRATEGY STILL OBSCURE AND BAFFLING. THIS MAY BE JUST A RUG BUYING EXERCISE, WHICH WILL END WITH SUBSTANTIALLY MORE GENEROUS SNPP TERMS IN FINAL ROUND. IF NOT, ALTERNATIVES ARE EITHER DELAY IN DECEMBER 31 DATE; FORCIBLE TAKEOVER ON TRUSTEE BASIS, PENDING SETTLEMENT; CONFIDENTIAL

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NATIONALIZATION; OR PERMIT PRIVATE SECTOR MOROCCANIZATION (WHICH THOUGH ATTRACTIVE TO COMPANIES, WOULD BE DIFFICULT RETREAT FOR GOM AND NOT VERY LIKELY). COMPANY REPS THINK IMPASSE AND SOME FORM OF FORCIBLE TAKEOVER MOST PROBABLE(THROUGH MOBIL SLIGHTLY MORE OPTIMISTIC THAN OTHERS). THIS SEEMS AT LEAST A REAL POSSIBILITY; IT WILL DEPEND ON CRUCIAL DECISIONS BY BOTH SIDES LIKELY TO BE TAKEN OVER NEXT SEVERAL WEEKS. IT WOULD REPRESENT SOME ECONOMIC LOSS TO COMPANIES AND, FOR GOM, A SETBACK TO THEIR HOPES OF ATTRACTING SUBSTANTIAL NEW FOREIGN INVESTMENT. COMPANIES ARE CONCERNED THAT, BECAUSE SOMEWHAT IDEOLOGICAL YOUNG TECHNICIANS SEEM TO BE TOTALLY IN CONTROL OF NEGOTIATIONS, HIGHER LEVELS OF GOM MAY NOT BE AWARE OF FACTS AND DANGERS OF SITUATION. BRUBECK

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